

# Soviets Hold All the Cards

By PETER PASSELL

Lithuania is ill equipped to withstand an economic siege by Moscow, Eastern European analysts agree. The New Hampshire-sized republic is utterly dependent on energy purchased from the Soviet Government at bargain rates.

News

Analysis

Nor is there reason to believe that a retaliatory cutoff of Lithuanian exports would do much damage to the Soviet economy. While farms and factories do supply the other Soviet republics with a handful of critical products, Moscow could easily find alternative sources in European markets.

Looking down the road, however, the risks to each side appear more balanced. An independent Lithuania, suggests Lawrence Summers, a Harvard economist who has been advising the republic's rebellious government, could serve Soviet interests as well as its own. By failing to make a deal on mutually acceptable terms, President Mikhail S. Gorbachev is passing by a vital opportunity to transform the dependent Baltic economies into Hong Kong-style windows to the West.

## Highly Vulnerable

Lithuania and the other Baltic republics are relatively prosperous. According to PlanEcon, a Washington consulting firm, output per person was more than double that of the impoverished Tadzhik Republic, and exceeded the overall Soviet average by one-fourth.

But with a population under four million, Lithuania is much too small to be self-sufficient. As a matter of practical economics and longstanding Soviet political policy, it is tightly bound to the greater Soviet economy. Most of the manufactures and raw materials used in Lithuania come from other republics still within the Soviet fold. And while Lithuanians might be able to survive for months or years without the bulk of

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# Soviets Hold High Cards on Lithuania

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the these imports, they are highly vulnerable to the embargo on energy.

According to a Lithuanian government report published last month, 97 percent of the fuel used to heat Lithuanian homes and run its factories is imported. A nuclear plant, which has been the focus of protest by Lithuanian nationalists, would be able to supply electricity for some time. But stockpiles of oil are reportedly only sufficient to carry the economy for about six weeks. Supplies of natural gas, used in four out of five Lithuanian homes, are yet smaller.

Lithuania has little or no hard currency to pay for Western imports to replace the losses. It is not clear, in any case, that the Soviet Navy would permit foreign oil tankers to dock.

Nor would Lithuania have much hope in the short run of earning desperately needed foreign exchange through sales to the West. Just 20 percent of Lithuanian exports, Mr. Summers estimates,

## Is Gorbachev missing an opportunity in the battle of wills?

are of sufficient quality to compete in world markets. Even exports of Lithuanian foodstuffs, tainted by pesticides banned in Europe, are problematic.

### Major TV Parts Supplier

For the Soviet side, a trade embargo would mean losses for its enterprises and consumers who now depend on exports, however inferior, from Lithuania. The little economy produces, for example, some 75 percent of the components for Soviet television sets and 30 percent of vital tractor parts.

But in the view of Thomas Telma, an economist at PlanEcon, the creaky Soviet economy could bumble along for many months without feeling the loss. And within that time, it could easily open the economic bottlenecks with substitutes from the West.

In fact, there is reason to believe that the Soviets would gain in the short run by severing economic ties with Lithuania. The prices Lithuanian enterprises have been paying for oil and gas and other raw materials, analysts agree, are far below those the Soviets could fetch in the West. And while this implicit annual subsidy to the Lithuanian

economy may be much smaller than the \$5.9 billion claimed by Moscow, there is little doubt that the immediate impact of a cutoff would be a windfall for the Soviets.

But other considerations, Mr. Summers argues, ought to temper President Gorbachev's taste for a fight. A Lithuania subdued by Soviet power is likely to remain a focus of economically costly ethnic conflict and a bottomless pit for Soviet subsidies. By contrast, an independent Lithuania, one with close ties to the Soviet Union based solely on mutual interest, could serve as a conduit for the Western technology and organizational skills so desperately needed by Moscow.

### High-Quality Labor

In Mr. Summers's view an independent Lithuania (or Estonia, or Latvia for that matter) would be able to attract capital — and modern factories — from nearby Scandinavia. "Where else," he asks, can you hire high-quality labor for one-eighth the wage of a South Korean?"

Lithuanians would, of course, benefit most directly from newly forged ties with the West. But Moscow would benefit, too, as capital and technology followed the path of greatest expected profit.

The battle over Lithuania might only delay the day when the Baltics might become Moscow's Hong Kong. But with the Soviet political system in ferment and the Soviet economy in free fall, delay is a luxury that Mr. Gorbachev call ill afford.